

THE COALITION REPORT

Updated October 2012

REINVESTING IN MONTANA'S ECONOMIC FUTURE

The 2019 Programs

IN COOPERATION WITH MONTANA ECONOMIC DEVELOPERS ASSOC.

A brief History of the so called 2019 Economic Development Programs.

In the 1999 Legislative Session, Rep. Doug Mood sponsored HB260 entitled "Encourage Economic Development via Investment in Research/Commercialization Projects." The bill was a product of Governor Racicot's Jobs & Income initiative and the Vision 2005 (Agricultural) initiative. The bill was passed into law and used a coal tax diversion for funding. The funding source was ruled unconstitutional by the Montana Supreme Court, leaving the programs unfunded. A special session was called by Governor Racicot in May of 2000 to, among other things, fund the programs through a constitutional source. Then Rep. Karl Ohs sponsored HB1 during the 2000 Special Session. It was a bill entitled "Legislation appropriating funds from the General Fund for programs established through the good-faith efforts of the Fifty-Sixth Montana Legislature in HB260."

Thanks to the united efforts of great leadership and a large coalition of partners, the following programs were Initiated and funded or had their funding enhanced:

- Montana Growth Through Agriculture
- Montana Cooperative Development Center
- Montana Board of Research and Commercialization Technology
- Small Business Development Centers
- Montana Technology Innovation Partnership (formerly SBIR)
- Certified Regional Development Corporations (previously Certified Communities program)
- Montana Manufacturing Extension Center
- Trade and International Relations Bureau

During the 2009 Legislature House Bill 123, entitled Fund Statutory Economic Development Programs, was introduced to extend the sunset on the following eight economic development programs from June 30, 2010 to June 30, 2019.

- Small Business Development Centers
- Small Business Innovation Research
- Trade and International Relations Bureau
- Montana Manufacturing Extension Center
- Certified Regional Development Corporations
- Research and Commercialization
- Growth Through Agriculture
- Cooperative Development Centers

House Bill 123 as passed by the Legislature provides level funding for all of the economic development programs from June 30, 2010 to June 30, 2019 except for the following two programs.

- The Growth Through Agriculture Program is reduced from \$1.25 million per year to \$625,000 per year for the period from July 1, 2010 until June 30, 2013. On July 1, 2013 the funding will go back up to \$1.25 million per year through June 30, 2019.
- The Research & Commercialization Program is reduced from \$3.65 million per year to \$1.275 million per year for the period from July 1, 2010 until June 30, 2013. On July 1, 2013 the funding will go back up to \$3.65 million per year through June 30, 2019.

GTA	Current Level Funding	Projects Funded	Match by Non-State Funds	For Every Dollar Provided by the State	Jobs Created
2011	\$625,000/year	56	\$4,275,289	\$4.58	58
2012	\$625,000	56	\$3,132,720	\$7.62	69

MONTANA GROWTH THROUGH AGRICULTURE PROGRAM

The Montana Growth through Agriculture Program...

- Works to strengthen and diversify Montana's agricultural industry establishing public/private sector partnerships to assist with the development of innovative ag- business improvements and the commercialization and marketing of new ag-products transforming the industry, creating new jobs, and expanding small ag-business opportunities.
- Provides direct financial assistance through flexible term financing to individuals and organizations helping to improve ag-business and to develop and market new ag-products.
- Is an integral component of the Agriculture Marketing and Business Development Bureau. Partnering with the Trade and International Relations Bureau of the Department of Commerce they provide expertise to ag-based companies and individuals seeking to develop new markets, improve financial outcomes, research new business models and find alternative funding sources.

Need for Program:

The Growth through Agriculture Program is needed to...

- Support Montana's ag-industries to access financial assistance and professional expertise which improves and develops innovative products and establishes new markets.
- Provide access to financial assistance; both loans and grants, readily available to assist Montana's ag-businesses increase their success.
- Provide marketing and business assistance to existing ag-businesses seeking to expand and new ag-businesses with technical assistance, business planning, financing, project coordination and legal and regulatory guidance.

Program Goals and Measurements:

The Growth through Agriculture Program will continue to...

- Establish partnerships between state government and commercial ag-businesses to develop and expand new directions.
- Expand markets for both new and existing ag-products around the world creating new jobs and expanding opportunities.

The Growth through Agriculture Program will measure its success by tracking and reporting...

- The total number of awards and clients.
- The number and economic impact of projects.
- The number of new and/or retained full-time equivalent jobs added to the economy and the amount of financial return attributable to successful projects
...all to be reported by a survey of recipients to be conducted in 2010.

Risks if program is Not Continued:

Failing to fund the Growth through Agriculture Program would...

- Significantly reduce Montana's ability to compete in both domestic and global agriculture markets.
- Significantly reduce the technical and financial assistance available to individuals, businesses and organizations working to develop innovative effectively market innovative ag-based enterprises and products.

CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS

State Fiscal Year	Current Funding Level	Additional Dollars Leveraged	Number of Jobs Created and/or Retained	Businesses Assisted	Number of Loans	Total of Loans
SFY2010	\$425,000/yr	\$466,462,934 (Large increase due to Signal Peak Mine)	837.5	971	40	\$4,768,140
SFY2011	\$425,000/yr	\$13,672,825	645	1,081	61	\$12,042,015

The Certified Regional Development Corporations Program...

- Encourages a regional approach to economic development.
- Facilitates efficient delivery of economic development programs.
- Supports regional planning and capacity building.
- Provides administrative, professional, and technical assistance to business and local governments, and
- Helps local officials and communities, and Census designated places pool limited resources, achieve economies of scale, build organizational skill and professional expertise, and foster regional collaboration.

Need for Program:

The Certified Regional Development Corporations Program is needed to...

- Assist local businesses on a regional basis.
- Provide loans to local businesses.
- Leverage private investments.
- Create and retain new jobs locally.

Goals and Measurements:

The Certified Regional Development Corporations Program will continue to...

- Encourage a regional approach to economic development.
- Facilitate the efficient regional delivery of economic development programs.
- Support regional planning and capacity building.
- Combine state and local fund leveraging and increased financial capacity for local governments to obtain professional economic development services, assist local businesses, and expand local economies.

The Certified Regional Development Corporations will measure its success by tracking and reporting...

- The number of and total dollar amount of business loans provided.
- The total amount of private investment leveraged.
- The total number of jobs created and retained.
- The amount of assistance provided to local governments and businesses.
- The total amount of federal dollars managed.

Risks if Program is Not Continued:

Failing to fund the CRDC Program would...

- Keep most local governments and communities from continuing their access to professional economic development services due to limited local financial capacities.
- Make the provision of economic development services to local governments and businesses much more difficult, and
- Create major obstacles to the effective and efficient delivery of funds for development loans to local businesses.

MONTANA TECHNOLOGY INNOVATION PARTNERSHIP (MTIP)

(Formerly the Small Business Innovation Research Program)

Current Level General Funding	Montana Awards Received 2000-2009	SBIR Funds to Montana Companies 2000-2011	Annual SBIR Average Awards made to Montana Companies
\$50,000/yr	400	\$102,736,841	\$9,339,712

Source: SBIR.gov plus specific agency award listings 2012

The Montana Technology Innovation Partnership...

- Offers free, high-level, confidential, and individualized coaching services to candidate companies seeking to apply for federal SBIR and STTR funding.
- Helps Tech-based Montana companies compete more successfully for a larger share of the multi-billion dollars available from the Federal government to small technology firms.
- Coordinates with other programs serving small businesses, thereby avoiding duplication of services and resources.

Need for Program:

The Montana Technology Innovation Partnership is necessary for...

- Helping companies access the critical, early-stage capital essential for growing innovation into commercial success.
- Allowing companies to verify the feasibility of new technology; practicing and refining it.
- Allowing companies not required to repay either SBIR or STTR funds to spend more on jobs creation and wages.
- Helping businesses to access new money through federal programs without requiring matching funds of any kind.

MTIP offers guidance in

- Identification of potential R & D funding;
- Understanding complex proposal requirements and development;
- Understanding and planning patent and intellectual property strategies;
- Understanding federal grants, contracts and governmental accounting; and
- Developing a realistic commercialization approach.

Risks if Program is Not Continued:

Failing to renew funding for the Partnership would result in...

- The loss of MTIP support to the increasingly important technology based business community.
- The possible loss of \$10 to \$15 million annually in federal SBIR and STTR funds presently coming into the state
- The loss of commercialization success arising from funded technologies which means the loss of more higher-paying jobs for Montana workers and the loss of increased tax base for Montana.

OFFICE OF TRADE AND INTERNATIONAL RELATIONS

Current Level Funding	Export Sales in 2011	Total Export Sales Since 2000	Export Sales Average Increase Per Year	Businesses Directly Assisted Per Year	Made in Montana Participants as of May 2011
\$300,000/yr	\$2.46 Billion	\$15.6 Billion	9.63%	462	2,567

STATISTICS FOR 2000-2011

The Office Trade and International Relations....

- Provides information, technical and marketing assistance.
- Provides consultation and training by export trade and marketing specialists.
- Administers the Business-to-Business Technical Marketing Program
- Maintains an Online Products Directory (www.MadeInMontanaUSA.com) and the "Made in Montana", "Grown in Montana", and "Native American Made in Montana" certification (logo) program
- Provides the Trade Show Assistance Program & Montana International Marketing Assistance Grant Program
- Maintains overseas offices for promoting agriculture, tourism, value-added products, and opportunities in higher education to East Asian markets.
- Serves as the protocol and international liaison for the Governor's Office and the Montana Department of Commerce.

Need for Program:

Exports are an increasingly important sector of Montana's economy.

- All commodity exports from Montana totaled \$796 million in 2000 and grew to \$2.46 billion by 2011.
- Increasing competition from other states, regions and countries promoting their products and commodities worldwide.
- Creates access to training for businesses interested in trading overseas through seminars, trade events, and market research services.
- Helps companies diversify their markets to help weather downturns in the domestic economy.
- Represents the State's interests in international trade, agriculture, tourism development and education.
- Business-to-Business marketing is crucial to the success of Montana's businesses.

Program Goals and Measurements:

The Office of Trade and International Relations continues...

- To assist companies to successfully compete in domestic and global marketplaces.
- To assist companies to be in compliance with US export regulations.
- To promote Montana as a premiere tourist destination, as well as a source for investment and educational opportunities.

The work of the Office of Trade and International Relations will measure its success by tracking and reporting...

- Overseas sales of Montana products annually.
- Trade show & Marketing assistance provided to Montana companies annually.

Risks if Program is Not Continued:

Failing to renew funding for the Bureau would result in...

- A loss of competitive advantage for Montana businesses in overseas markets especially in East Asia.
- Reduction in Montana's capacity to effectively market tourism, agricultural and value-added manufactured goods internationally.

MONTANA SMALL BUSINESS DEVELOPMENT CENTER

SBDC	State Funding Per Year	State's return on Investment of dollars (Federal/ Local match dollars)	Number of loans/ capital infusion dollars	Businesses Counseled	Total counseling hours (Contact/Travel and Preparation)	Training Attendees
2010	\$125,000/yr	\$3.59	\$48,987,756	1,043	6,895	1,676
2011	\$125,000/yr	\$5.57	\$38,112,356	974	5,729	1,572

PROGRAM
The Montana Small Business Development Center Program...

- Provides one-on-one professional counseling, group training, and resources to individuals and small businesses that could not otherwise access or afford these services through a network of 10 statewide offices.
- Provides help primarily with the development of business plans, financial projections, market research, and financing strategies.
- Provides a high return on the state's investment and a high level of accountability for program outcomes.

Need for Program:

- Montana has one of the highest rates of self-employment and one of the highest rates of new business start-ups every year, and consistently ranks near the top in entrepreneurial activity according to the Kauffman Index of Entrepreneurial Activity.
- Small businesses account for 75% of new job growth in Montana.
- The SBDC provides the professional support and direction that help these small businesses survive and become profitable.
- 85% of small businesses that receive support and guidance remain in business after the first three years, versus the national failure rate of 80% during that same period without assistance.

Program Goals and Measurements:

- Through a statewide network of ten offices, The Montana SBDC will continue to...
- Offer no-cost business counseling and low-cost training to existing and start-up small businesses helping them to become profitable through developing business plans, financial projections, and marketing strategies.
- Improve the survivability of Montana's small businesses and entrepreneurial activities through one-on-one business assistance and group trainings.
- Continue to maintain and target services with a state and federal budget that has not kept pace with inflation over the past 12 years.

The Montana SBDC will measure its success by tracking and reporting annually the...

- Number of clients receiving counseling.
- Number of clients receiving training.
- Number of counseling and training sessions
- Number of hours of counseling
- Number of existing, start-up, and pre-venture clients served.
- Economic impact: Number of jobs created and/or retained, the growth in sales, new state and federal tax revenues generated, and the dollar amount of SBA and non-SBA loans and equity capital.

Risks if Program is Not Continued:

Failing to renew funding for the Montana SBDC would...

- Increase the likelihood of failure for those developing and potential successful businesses that cannot access guidance and support.

MONTANA MANUFACTURING EXTENSION CENTER

STATISTICS FROM JULY 2008—JUNE 2011

Current Level Funding	Clients Served	Counties Served	Jobs Created/Retained	New/Retained Sales	Client Investment	Return on Each State Dollar Invested (2011)
\$200,000/yr	43	14	1245	\$402,502,000	\$49,836,900	\$13.4

The Montana Manufacturing Extensions Center...

- Assists manufacturers in adopting new, more advanced manufacturing technology, techniques, growth services, and business practices appropriate for small business.
- Provides information, training, decision support, and implementation assistance to Montana's manufacturers in all industries from value-added agriculture and job shops to advanced technology and alternative energy companies.
- Provides professional services regionally with five located engineers and a sixth engineer and marketing professional to provide engineering, marketing training, and technical assistance to bio-product and alternative energy manufacturers statewide.

Need for Program:

The Montana Manufacturing Extension Center is essential to the continued...

- Development of a diverse manufacturing base able to withstand nation-wide economic swings.
- Improvement of Montana's manufacturing competitiveness, increased export activity, and increased sales and profits.
- Creation of more and better manufacturing jobs, that pay higher than average wages, and create jobs in other related sectors of Montana's economy.
- Increases in the State's tax base from manufacturing revenues which account for 20% of that base.

Program Goals and Measurements:

The Montana Manufacturing Extension Center will continue to...

- Provide training, engineering, growth, and business assistance to Montana's manufacturers.
- Increase the amount of services offered by the MMEC to Montana's manufacturers.

The MMEC will measure its success by tracking and reporting...

- Increased and retained manufacturing sales figures.
- Increased and retained manufacturing jobs.
- Capital investments made in Montana-based manufacturing.
- Freed up cash for expansion through cost savings to Montana's manufacturers.
- Clients served, projects completed, and counties served.

This information is collected and reported quarterly using a survey methodology developed and administered by the National Institute of Standards and Technology.

Risks if Program is Not Continued:

Failing to renew funding for the Montana Manufacturing Extension Center would result in...

- The loss of matching federal funds presently leveraged through the MMEC.
- Loss of support services which help to make Montana's manufacturers more successfully competitive.

MONTANA COOPERATIVE DEVELOPMENT CENTER

STATISTICS FROM PROGRAM INCEPTION IN 2000 THROUGH SEPTEMBER, 2012

Current Level Funding	Cooperatives Formed	Cooperatives Pending	Number of Jobs Created and/or Retained	Total Payroll Benefit	Grants provided by MCDC	Dollars leveraged to date
\$65,000/yr	45	10	531	\$19,595,712	\$32,500	\$4.6 million

The Montana Cooperative Development Center...

- Provides assistance to individuals and groups starting new businesses utilizing the cooperative business model.
- Promotes the development of new cooperatives and the improvements of existing cooperatives as a means of meeting the economic needs of rural Montana.
- Focuses primarily on cooperatively organized enterprises that implement value-added agriculture, forestry, energy, housing, transportation, clothing, fitness, artisans, etc.

Need for Program:

The Montana Cooperative Development Center is essential to the continued...

- Growth and development of cooperative efforts among businesses which allows for increased markets and improved viability for participating businesses.
- Capacity of the MCDC to leverage federal funds building viable business opportunities and expanding state revenues.
- Retention of businesses through the establishment of effective and efficient cooperative efforts.

Program Goals and Measurements:

The Montana Cooperative Development Center will continue to...

- Develop and maintain businesses in rural Montana using the cooperative business model.
- Provide professional assistance to individuals and groups starting new businesses through the application of the cooperative business model.
- Promote new cooperative business efforts and to improve the efficiency and effectiveness of existing business cooperatives.

The Montana Cooperative Development Center will measure its success by tracking and reporting...

- The number of existing cooperative that have been strengthened by Center activities
- The number of new cooperatives that have been formed through Center activity.
- The number of direct jobs created, total payroll benefited, and the potential economic sector benefit produced through new and existing business cooperatives.

Risks if Program is Not Continued:

Failing to renew funding for the Montana Cooperative Development Center would...

- Close the only existing statewide resource for business cooperative development.
- Put many small, rural Montana businesses in jeopardy by reducing their capacity to form and maintain effective business cooperatives.
- Reduce the number of small, rural Montana businesses that survive and thrive without effective cooperative efforts.

MONTANA BOARD OF RESEARCH AND COMMERCIALIZATION TECHNOLOGY STATISTICS FROM PROGRAM INCEPTION IN 1999

Current Level Funding	Dollar amount for 181 projects funded	Non state matching dollars leveraged to date	Follow-on New Dollar Funding
\$1,275,000/yr	\$37 million	\$42 million	\$230 million

Montana Board of Research a Commercialization Technology (MBRCT)...

- Provides a predictable and stable source of funding for research and commercialization projects.
- Expands and strengthens research efforts for the state's basic industries helping to increase their impact on the state's economy.
- Expands research efforts into areas beyond the scope of the state's basic industries diversifying and strengthening the state's economic security through the creation of technology-based operations and long-term quality jobs.

Need for Program:

Research has become an important industry in Montana, but competition for funding is keen.

- Sponsored research in Montana exceeds \$100 million annually and MBRCT funding plays an important role in the efforts of companies and the MUS to obtain research funding
- Companies can apply directly to MBRCT for funding
- Most of the MUS research projects sponsored through the MBRCT directly involve Montana companies resulting in a university research-technology transfer-company commercialization model that has proven very successful in expanding economic development in the state.
- MBRCT funds are used by MUS research infrastructure projects to demonstrate the state's commitment to the development of effective research efforts leveraging millions of additional federal dollars.
- Many of the MBRCT funded research and commercialization projects have resulted in the sale of new products by Montana companies.

Program Goals and Measurements:

The MBRCT program will continue to...

- Provide a predictable and stable funding source for research and commercialization projects.
- Expand and strengthen research and commercialization efforts for the state's industries increasing their positive impact on the state's economy.

The MBRCT will measure its success by tracking and reporting...

- The total matching funds leveraged by research and commercialization state funds. (at least 25% of total project costs)
- Additional funds obtained by Montana projects after receiving MBRCT funds increasing those funds by at least \$6.5 million per year.
- The total amount of grants made to production agriculture projects. (at least 20% of grant funds awarded annually)
- The total amount of grants made to clean coal and renewable energy projects. (at least 30% of grant funds awarded annually beginning in 2008)

Risks if Program is Not Continued:

Failing to renew funding for the MBRCT would result in...

- Lost capacity to compete effectively for research and commercialization funds from public and private funding sources.
- Lost ability by the MUS and other research and commercialization facilities to help Montana based companies to develop new products and to compete nationally and internationally for revenues.
- Direct losses to state tax revenues through reduced tax-base, in long-term jobs, and of leveraged research and commercialization dollars presently brought into the state by MBRCT efforts.
- Reduction of the ability of Montana to compete in the technology marketplace.